

Deductions potentially available to individuals and business operating in the Entertainment Industry:

Accounting/tax agent fees

Accommodation – see general comments under travel expenses

Advertising

Agents commission and fees – including other agency payments on your behalf e.g. couriers, postage etc

Annual Leave entitlements – for those with employees note this is only deductible when actually paid, accrued leave is not deductible.

Artworks – valuable paintings hung in business premises are depreciated at the rate of 1.8% of diminishing value.

Bank charges – on business bank accounts

Borrowing Expenses– if the loan is used for income producing purposes all expenses interest, legals, stamp duty, valuation, survey and guarantee fees are deductible. The deduction is spread over the term of the borrowing or five years whichever is the lesser.

Business meeting costs and light refreshments – in house

Business Lunches – beware of Fringe Benefits tax if taking employees out to lunch, this may mean you. If alcohol is consumed the lunch is non deductible for the guest and subject to FBT for the employee. If you do a lot of entertaining you may need specific advice to manage your expenses re Fringe Benefits Tax.

Business name registrations

Capital items – with a cost of less than \$1000 if registered in the Simplified Tax System.

Car and Truck Rentals – leases of non luxury cars and trucks are also treated as rentals and the lease payments are deductible if used for business purposes. If your car has both work and private usage an apportionment will be necessary. See car expenses for more detail.

Car expenses – If car used solely for work purposes all expenses deductible except fines. If an employee uses a company car all expense are deductible however employer will have FBT liability for any private use unless there is a personal contribution for the value of this element. NB this may mean you. Where the usage is partial there are a number of ways of claiming the deduction. The best is to keep a log book and all expense receipts. A log book kept for 12 weeks will be valid for five years or until your usage substantially changes. Important travel between work and home is private unless you have a home office as principal place of work or if you transport bulky tools, equipment (eg musical instruments) or if you visit clients on the way to and from work. If you have not kept a log book but you do have receipts for expenses you may claim 1/3 of expenses. If you have neither you may claim 12% of purchase cost. If you have no log book and no receipts you can claim an amount per kilometre based on your car to a maximum of 5000km. The total claimed should be reasonable.

Clothing – cost of buying, renting, replacing and maintaining clothing or footwear is deductible if protective in nature, occupation specific or a compulsory uniform. This may be relevant for some technicians wearing overalls, goggles or safety harnesses or for award winners who hire clothing or jewellery or performance specific clothing.

Computer consumables – disks, printer cartridges etc

Company Losses – carry forward losses may be deductible as long as there has been no significant change in the shareholding or the nature of the business.

Conferences, classes and seminars – whether you run them or attend them as long as it is/they are related to your business, there is a nexus with your assessable income.

Copyrights – the expenses associated with obtaining a copyright may be deductible.

Couriers and freight

Credit card fees all charges relating to use of credit card for business purposes. It is a good idea to have a card that you use exclusively for business. A corporate credit card provides certain advantages for GST record keeping ie certain credit card statements will qualify as a Tax Invoice.

Demos, rehearsals etc

Depreciation on Assets – some examples

Computer hardware and software and printer

Answering machine and fax machine

Television and video

Camera, DVD, stereo etc

Office furniture – desk, chair, filing cabinets, shelving etc

Musical Instruments

Plant and equipment

The rate of depreciation is based on the effective life of the asset, the tax office offer some guidelines on this or visit the Ready Reckoner on www.money Penny.com.au small business with a turnover of less than \$1,000,000 may claim accelerated depreciation rates as determined by the Tax Office.

Directors Fees – are deductible in the year that they are accrued. If not paid within that year they must be authorised by shareholders resolution. PAYG instalments should be deducted at the time of payment.

Donations and gifts – to specified charities of \$2 or more. May be school building fund if you have kids at a private school. Cultural bequests/gifts of your work may be considered deductible. Conditions apply.

Driving License – Heavy Goods license only

Employee Benefits – all benefits provided to employees are tax deductible however most are subject to fringe benefits tax unless straight salary wages or allowances. You may gift an item of less than \$100 cost as a minor benefit. This same clause will also cover a staff Christmas party.

Entertainment Expenses – are generally not deductible unless incurred at a promotional event open to the public e.g. trade stands.

Equipment hires, insurance, repairs and maintenance

Films – if approved under division 10BA of the Income Tax Act 100% of investments in Australian films is deductible.

Fitness Expenses – are deductible if required to carry out a job. They are strictly scrutinised but may be appropriate to a stunt man or to cast if relative to a particular role or a musician with a particularly strenuous stage show.

Fringe Benefits Tax – FBT is deductible if paid.

Gifts – advertising or PR – any gift which may be construed as advertising or PR

Home office – rent/interest, utilities, insurance, council and water rates and any other costs associated with maintaining your home. Where your business is conducted from home in full or in part a deduction is available for a proportion of all the amenities and rent. If your home is owned or mortgaged you may also claim part of the interest, rates and insurance however beware of the possible implication for capital gains tax.

Insurance (personal) – if the payout is assessable it will be deductible e.g. income protection insurance. If the payout is non assessable it won't be deductible e.g. life and trauma insurances.

Investment advice

Legal fees – relating to your income are deductible. If the legal fees are in respect of a capital item/acquiring an asset the fee should be added into the cost base of the asset and is not deductible.

Loss on Sale of an asset/Balancing Charge Deduction – if plant or equipment is sold for less than its depreciated value the difference is the balancing charge and may be claimed as a deduction.

Magazines, newspapers, journals and periodicals – trade papers are usually fully deductible, a partial deduction may be allowed for general publications as long as there is a reasonable link with employment.

Medical expenses – exceeding \$1250 per year and if not reimbursed by Medicare or under a private cover may be eligible for a rebate.

Memberships and subscriptions including union fees – if membership related to the earning of assessable income.

Office supplies - Stationery, printing and postage

Per Diems – refer to travel expenses

Post Office Box

Political Contributions – up to \$1500 to any registered political party

Private Health Cover – is not deductible however those with income in excess of \$50,000 per year may be subject to an increased Medicare levy.

Publicity and promotion – e.g. photographs

Reference and research materials – movie theatre and event tickets, video hires, books and music. A reasonable apportionment of these items must be considered private usage. There must be an acceptable relationship to your income.

Relocation Expenses an employer may deduct the cost of moving a new or existing employee to a new location however those costs will not be tax deductible if paid by the employee.

Rent – business premises, studio, storage etc.

Repairs – to business premises. If the work represents an improvement these costs should be depreciated.

Self Education – if necessary to keep current or improve your ability to perform duties of existing employment or career. The first \$250 of expenses relating to courses run by educational institutions is deducted from the claim.

Staff Amenities – tea, coffee, water, refreshments etc.

Stage clothes and costumes

Stamp Duty – on capital purchases e.g. property or shares is included as part of the cost of the asset and is not deductible.

Storage fees or rent – when storage of income producing items

Street Directory

Subcontractors for work associated with carrying on your business

Superannuation for the self employed - up to \$3000 is fully deductible and thereafter 75% of contributions are deductible up to age based limits if you are self employed (have an ABN) and less than 10% of your income is derived from employment. NB super must be paid by 30th June to be deductible. Refer to tax tips for more detail and information on spouse contributions.

Taxi Fares between two places of work and/or study. Between home and work are not deductible for the employee but are deductible for the employer and are not subject to FBT.

Telephone, mobile, facsimile and internet – if it is a private line an apportionment must be made.

Television Sets, Video, DVD, stereo – may be depreciated where there is a special requirement connected with employment. This would be true for most individuals working within the entertainment industry.

Tolls & parking

Trading Stock/Inventory if your business carries stock that is likely to have a value in excess of \$5000 at year end or where the difference in opening value and closing value is likely to exceed \$5000 you will need to consider a stock take.

Travel expenses – domestic and international – airfares, accommodation, meals & incidentals, taxis etc. If away on business for more than five nights a travel diary must be maintained, if less keep receipts and detailed expenses. The tax office has prescribed rates for the cost of meals and accommodation wherever you may be in Australia or the world. You may claim up to that amount without substantiation. If you have been paid a per diem that is less than that amount you may claim the difference.

Sunglasses, Sun hat, and sun screen – if your employment requires that you work substantially outdoors.